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FROM: J. Tyler McCauley *by JGM*
Auditor-Controller

SUBJECT: **SUPERIOR COURT COLLECTION CONTRACT SOLICITATION
REVIEW**

We have completed our review of the solicitation process used to select a proposal for the Superior Court Collections contract. On April 30, 2002, the Board instructed the Auditor-Controller, in conjunction with the Chief Administrative Officer, to review the appropriateness of the proposal evaluation process.

As part of our review, we examined the appropriateness of developing a "success rate" to evaluate the proposals. We also reviewed the solicitation process used by the Internal Services Department (ISD) to ensure that the process was fair and equitable and whether site visits and oral interviews were required, as reported by one proposer. Finally, we reviewed with the Superior Court the possibility of using multiple contractors.

Methodology

We interviewed managers and staff from ISD, the Chief Administrative Office (CAO), Superior Court, and representatives from GC Services (GC) and Linebarger Goggan Blair Peña & Sampson (Linebarger). We also reviewed the solicitation documents, including the Request for Proposal (RFP), the proposals, the completed evaluation forms, ISD debriefing notes and correspondence from the CAO. In addition, we contacted 14 governmental jurisdictions to determine if collection rates are used to evaluate proposer capabilities and received responses from 11 jurisdictions (See Attachment 1).

Summary of Findings

The organizations that we contacted agree that many variables impact the ability to collect delinquent accounts. Many organizations we contacted do not include a formal rating of a firm's collection history with other jurisdictions in differing geographical, economical, and political situations. This is because the collection potential differs so greatly and performance in other situations may not accurately predict performance in their jurisdiction. Instead, they focus, as ISD did, on the collection process the proposers plan to implement in their jurisdictions. The organizations that did evaluate a firm's collection rate usually did not assign a significant weighting to the criteria.

Overall, the evaluation process was conducted in a fair and equitable manner. The evaluation criteria effectively evaluated the proposals' work plan and capabilities to maximize collections. Site visits by the evaluation committee members to proposers' places of business and proposer oral presentations were not required.

Background

In 1996, the Board approved the Court Account Collection Services Master Agreement Number 196245. Under this Master Agreement, the Board approved three Work Orders to address the Court's needs for professional collection services for the recovery of delinquent court accounts. Both the Master Agreement and Work Orders were set to expire April 30, 2002. In January 2002, ISD began the solicitation process to select a new contractor. In March 2002, ISD completed the solicitation process, and in April 2002, the CAO recommended the highest ranked proposal for Board approval.

Methodology to Measure Success

A collection rate (or success rate) is determined by dividing the total amount collected by the total possible collections. For example, if a firm's accounts targeted for collection totals \$500,000, and within a specific period of time the firm collects \$100,000, the collection rate for the specified period is 20 percent ($\$100,000/\$500,000$). Firms will have different collection rates for different types of accounts in different geographical, economical, and political situations. Performance in differing situations can and does vary significantly.

For the Superior Court collections contract, a collection rate analysis was not used as an evaluation criterion to evaluate the proposers. ISD made this decision because, as previously indicated, rates are often not comparable. To evaluate a proposer's collection success, ISD developed detailed criteria that evaluated the proposer's work plan and capabilities to fulfill the RFP requirements. The detailed criteria evaluated a proposer's understanding of the RFP requirements, qualifications, reference checks, and collection approaches and techniques. It should be noted that success rate was not included in the selection criteria disclosed in the RFP, and, therefore, proposers should have been aware that it would not be used in the evaluation.

We contacted eight counties located in the State and six other jurisdictions outside the State to determine if collection rates are used to evaluate a proposer's capabilities and work plan. We received responses from 11 jurisdictions. The following are the results of our contacts.

- Five of the eight counties located in the State did not competitively bid for collection services, but selected a contractor from an approved list of contractors or are performing the service in-house.
- Three of the counties that we contacted in the State used a competitively bid process to select contractors for collection services. A firm's collection rate was not part of the proposal evaluation criteria because of the same difficulty that ISD noted above.
- Two jurisdictions (City of Houston and the United States Treasury) reviewed the proposers' collection rates as part of their proposal evaluation process. However, the collection rate evaluation criterion was not assigned a significant weight of importance (less than 10 percent of the total evaluation) because staff stated that other variables can impact a firm's collection rate, such as age of account, demographics, etc.
- Harris County (Texas) representatives stated that they competitively bid the contract for the delinquent tax accounts in 1995 and considered a number of factors in awarding the contract, including the proposer's success in previous contracts. Representatives with whom we spoke were unable to cite the exact weight they gave to this factor, but approximated it at 25%.

The Solicitation Process

Generally, the solicitation process was conducted in an objective, fair, and documented manner. The evaluation criteria and methodology used by the evaluation committee members to evaluate the proposals were consistent with the evaluation criteria and scoring methodology described in the RFP. Also, evaluation criteria evaluated relevant areas and were appropriately weighted. The evaluation committee consisted of five staff from other County departments (Superior Court, Treasurer Tax Collector, Department of Children and Family Services, and the CAO), and most members had significant collection experience. Prior to reviewing each proposal, the evaluation committee members met with ISD staff to discuss the process to follow in evaluating the proposals.

The evaluation instrument used by the evaluation committee contained detailed criteria that provided a basis for the evaluators' scoring. We noted the evaluation instrument used in this proposal evaluation process was more detailed and provided the evaluation committee members with a better basis to score each proposal than the instruments used by some other jurisdictions. For example, ISD's evaluation instrument listed 27

evaluation criterion, while the evaluation instrument used by San Diego county listed 15 evaluation criterion.

The completed evaluation instruments contained sufficient comments to support the scores assigned to each proposal and contained no mathematical errors. ISD also met with the three proposers who were not recommended to discuss their proposals' scoring and to note areas in which the proposals could be improved for future solicitations.

According to Paragraph 8C of the RFP, "The County may invite any of the proposers being evaluated to make an oral presentation and/or on-site observation of the proposers' operations." Evaluation committee members indicated that neither site visits nor oral presentations were necessary since the written proposals contained sufficient information that allowed for fair and adequate evaluation. Also, County Counsel noted that site visits and oral interviews were not mandatory since the RFP used the word "may" invite.

Using Multiple Contractors

In regards to the possibility of selecting several contractors, the Superior Court is opposed to using more than one contractor primarily due to the following reasons:

- The necessity for uniform rules and procedures after court unification in 2000.
- Inconsistent collection procedures and assessment amounts for similar case types.
- Undue administrative burden on the Court staff which may result in failure to maximize collections.
- Lack of data integration due to computer systems' incompatibility.
- The inability of dependents to pay at any convenient jurisdiction.

We believe the Superior Court's concerns have some merit and we could not identify a compelling reason to award contracts to multiple contractors.

Acknowledgement

We would like to thank the ISD, the CAO and Superior Court management and staff for their cooperation and active participation during this review process. If you have any questions, please contact me or have your staff call Pat McMahon at (213) 974-0729 or DeWitt Roberts at (213) 974-0301.

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